

Other Initiatives

Articles XIIC and XIID were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, including presently, other initiatives have been, and could be, proposed, and if qualified for the ballot, could be adopted affecting PWP's revenues or operations. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business ("S&P") have assigned their municipal bond ratings of "___" and "___," respectively, to the 2013A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings may be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; S&P, 55 Water Street, New York, New York 10041 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will continue for any given, period of time or that any of them will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the 2013A Bonds.

TAX MATTERS

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under current law and assuming compliance with certain covenants in the City Charter, the Tax Certificate and other documents pertaining to the 2013A Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the 2013A Bonds and the timely payment of certain investment earnings to the United States, interest on the 2013A Bonds is not includable in the gross income of the owners of the 2013A Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2013A Bonds to be included in gross income retroactive to the date of issuance of the 2013A Bonds.

In the further opinion of Bond Counsel, interest on the 2013A Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2013A Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2013A Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in various documents pertaining to the 2013A Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2013A Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Bond Counsel or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of the interest on the 2013A Bonds for federal income tax purposes.

Original Issue Discount. The initial public offering price of certain of the 2013A Bonds (collectively, the “Discount Bonds”) is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. Further, the amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income of individuals and corporations. Such accrued original issue discount, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability. Further, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner’s adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Premium Bonds. The excess, if any, of the tax adjusted basis of the 2013A Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such 2013A Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Bond premium is amortized over the term of such 2013A Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of 2013A Bonds with bond premium are required to decrease their adjusted basis in such 2013A Bonds by the amount of amortizable bond premium attributable to each taxable year such 2013A Bonds are held. The amortizable bond premium on such 2013A Bonds attributable to a taxable year is not deductible for federal income tax purposes. Owners of such 2013A Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon the sale or other disposition of such 2013A Bonds and with respect to the state and local tax consequences of owning and disposing of such 2013A Bonds.

Information Reporting and Backup Withholding. Interest paid on the 2013A Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2013A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

State Tax Exemption. In the further opinion of Bond Counsel, interest on the 2013A Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments. Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the 2013A Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or State tax exemption or the market value of the 2013A Bonds. Prospective purchasers of the 2013A Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

For example, various proposals have been made in Congress and by the President (the “Proposed Legislation”), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the 2013A Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the 2013A Bonds to a tax or cause interest on the 2013A Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation, on their individual situations.

Copies of the proposed forms of opinions of Bond Counsel are attached hereto as APPENDIX F.

LITIGATION

There is no litigation or action of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2013A Bonds or in any way contesting or affecting the validity of the 2013A Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2013A Bonds or the use of proceeds thereof. There is no litigation pending, or to the knowledge of the City, threatened, questioning the existence of the City or the title of the officers of the City to their respective offices. There is no litigation pending, or to the knowledge of the City, threatened, which materially questions or affects the financial condition of the Electric System. [CONFIRM]

AUDITED FINANCIAL STATEMENTS

The audited financial statements of the City's Water and Power Enterprise Funds, as of June 30, 2012 and for the year then ended are included in Appendix B to this Official Statement. A complete copy of the City's Comprehensive Annual Financial Report may be obtained from the City. There has been no material adverse change in the finances of the Electric System since June 30, 2012. The 2013A Bonds are revenue obligations of the City payable only from the Net Income of the Electric System in the Light and Power Fund. The financial statements of the City's Water and Power Enterprise Funds for the Fiscal Year ended June 30, 2012 have been audited by Brown Armstrong Accountancy Corporation, independent accountants (the "Auditor") as stated in their report appearing in Appendix B. The Auditor has not updated its report or taken any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Brown Armstrong Accountancy Corporation with respect to any event or transaction subsequent to their report dated November 29, 2012.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement and in the Appendices hereto, and in any other information provided by PWP or the City, that are not purely historical, are forward-looking statements, including statements regarding PWP or the City's expectations, hopes, intentions or strategies regarding the future. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to PWP and the City on the date hereof, and PWP and the City assume no obligation to update any such forward-looking statements. It is important to note that PWP's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of PWP and the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

FINANCIAL ADVISOR

The City has retained Public Resources Advisory Group, Los Angeles, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2013A Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor has reviewed this Official Statement, but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

CERTAIN LEGAL MATTERS

The issuance of the 2013A Bonds is subject to the approving opinion of Sidley Austin LLP, Los Angeles, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix F. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the 2013A Bonds. Certain legal matters will be passed upon for the City by Fulbright & Jaworski LLP, Los Angeles, California, Disclosure Counsel, a member of Norton Rose Fulbright, and by Michele Beal Bagneris, City Attorney of the City.

PURCHASE AND REOFFERING

_____ (the “Initial Purchaser”) purchased the 2013A Bonds from the City at a competitive sale at an aggregate purchase price of \$_____ (representing the aggregate principal amount of the 2013A Bonds, plus a net original issue premium of \$_____, and less an Initial Purchaser’s discount of \$_____). The public offering prices may be changed from time to time by the Initial Purchaser. The Initial Purchaser may offer and sell 2013A Bonds to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement to be entered into simultaneously with the issuance of the 2013A Bonds (the “Continuing Disclosure Agreement”) for the benefit of the holders of the 2013A Bonds with Digital Assurance Certification, L.L.C. (“DAC”), under which the City has designated DAC as Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”). Pursuant to the Continuing Disclosure Agreement, the City has covenanted for the benefit of the holders and beneficial owners of the 2013A Bonds to provide certain financial information and operating data relating to the City and the Electric System by not later than 185 days following the end of the City’s Fiscal Year (which Fiscal Year presently ends on June 30) (the “Annual Report”), commencing with the report for Fiscal Year [2012-13], and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board (“MSRB”) through the MSRB’s Electronic Municipal Market Access (EMMA) System. The notices of material events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” herein. These covenants have been made in order to assist the Initial Purchaser in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The City has not failed to comply in the last five years in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The City will reserve the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of non-compliance with any provision of the Continuing Disclosure Agreement, if such amendment or waiver is supported by a written opinion of counsel expert in federal securities laws selected by the City to the effect that such amendment or waiver would not materially impair the interest of the holders of the 2013A Bond and would not, in and of itself, cause the Continuing Disclosure Agreement to violate the Rule if such amendment or waiver had been effective at the time of the primary offering of the 2013A Bonds, after taking into account any applicable amendments to or official interpretations of the Rule.

The Disclosure Dissemination Agent has only the duties specified in the Continuing Disclosure Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the City has provided that information to the Disclosure Dissemination Agent as required by the Continuing

Disclosure Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Continuing Disclosure Agreement or duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report (all as defined in the Continuing Disclosure Agreement), or any other information, disclosure or notices provided to it by the City, and the Disclosure Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the holders of the 2013A Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for any failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof, as to determine or liability for failing to determine whether the City has complied with the Continuing Disclosure Agreement, and the Disclosure Dissemination Agent may conclusively rely upon certification of the City at all times.

EXECUTION AND DELIVERY

Included herein are brief summaries of the terms of the 2013A Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Agreement and certain contracts and other arrangements for the supply of capacity and energy, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract with the purchasers of the 2013A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF PASADENA, CALIFORNIA

By: _____
Director of Finance

APPENDIX A

THE CITY OF PASADENA

The economic and demographic information provided below is presented as general background data and has been collected from sources which the City deems to be reliable. The General Fund of the City is not liable for the payment of the 2013A Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the 2013A Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2013A Bond shall compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2013A Bonds and any premiums upon redemption thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income of the Electric System in the Light and Power Fund and other funds which are pledged to the payment of the 2013A Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

General

The City of Pasadena, California (the "City") was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City.

The City covers nearly 23 square miles and is located in Los Angeles County in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains.

In addition to general governmental services such as fire and safety, the City provides its approximately 150,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage services.

While the City consistently receives international recognition for the Rose Parade and Rose Bowl events, the City has achieved significant success in blending urban amenities with suburban neighborhoods. Engineering, finance and health care comprise the primary industry sectors. In addition, the academic and research pursuits of the California Institute of Technology, the Jet Propulsion Laboratory and the Art Center College of Design bring a unique combination of resources to the City. The City's downtown continues to serve as the corporate and entertainment center for the San Gabriel Valley's 1.8 million residents.

City Council

All powers of the City are vested in the City Council which is empowered to carry out the provisions of the City Charter and perform all duties and obligations of the City as imposed by State law. The City has an eight-member City Council comprised of members elected in seven City Council districts and a citywide elected mayor. Each Council Member and the Mayor are elected for four-year staggered terms. The Council Members elect the Vice-Mayor from their membership, who traditionally serves two consecutive one-year terms. The names, occupations and term expirations of the current members of the City Council are as follows:

Name	Occupation	Term Expiration
Bill Bogaard, Mayor	Attorney	May 2015
Jacque Robinson (District 1)	Education Policy Director	May 2015
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2015
John J. Kennedy (District 3)	Executive Consultant	May 2017
Gene Masuda (District 4)	Business Owner	May 2015
Victor Gordo (District 5)	Attorney	May 2017
Steve Madison (District 6)	Attorney	May 2015
Terry Tornek (District 7)	Real Estate Investor	May 2017

City Staff

Michael J. Beck, City Manager, has been the Pasadena City Manager since October 2008. His responsibilities include the overall operation of the City's government, including development of the annual operating and capital budget, which was over \$776 million in Fiscal Year 2012. Mr. Beck also manages 14 departments within the City, including Pasadena Water and Power, full service police and fire departments, a Department of Health and Management of almost 2,000 employees. He is also a member of the Rose Bowl Operating Company. Mr. Beck's initiatives have included the development of a five-year fiscal program to resolve a General Fund deficit brought on by the recent economic downturn with cumulative savings of more than \$150 million; streamlining the City's governmental functions and processes; increasing the use of technology to better serve residents; developing a financial solution to an unfunded liability in the closed Fire and Police Retirement System; creating a strategic investment plan to fund at least \$100 million in renovations to public facilities; and implementing a strategic planning process for the City. In addition, he has provided leadership to Pasadena's General Plan update and the Rose Bowl Stadium renovation project. Prior to his service in Pasadena, Mr. Beck was Assistant City Manager for the City of Riverside, the largest city in Southern California's Inland Empire with a population of more than 300,000 and a nearly \$1 billion operating budget. His responsibilities included oversight of Riverside Municipal Airport and the city departments of Community Development, Public Works, Public Utilities, and Parks, Recreation and Community Services. He developed the financial plan and implementation of the \$1.8 billion Riverside Renaissance program – 30 years of public infrastructure investment in just five years. Before working for the City of Riverside, he was Director of Economic Development and Real Estate Services for the University of California, Riverside, where he developed public/private partnerships to foster expansion of academic and research opportunities; and was instrumental in developing a regional economic development agenda that advanced managerial and technical job creation. He holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration, both from the University of California, Riverside.

Andrew Green, Director of Finance, joined the City in January 2009. His responsibilities include management of the financial affairs of the City and the Pasadena Community Development Commission, which include: preparation of the annual operating budget; preparation of the Comprehensive Annual Financial Report; purchasing; collections; workers' compensation; general liability; payroll; employee benefits; information technology; internal audit; investments; debt management and financing of major City and Community Development Commission capital improvements. Prior to his current position, he served as the Finance Director for the City of Reno, Nevada; Director of Administrative Services and Director of Finance for the City of Rialto, California, where he also served as acting City Administrator on various occasions; and as the Director of Finance for the City of San Bernardino, California. Mr. Green received his MBA from the University of Phoenix in 2003 and his Bachelor of Arts degree in Accounting from the University of LaVerne (California) in 1979. He also holds an Associate's Degree in Business Administration from San Bernardino Valley College and a Certificate from the Accounting for Governmental and Non-Profit Organizations program at the University of California at Riverside, California. While in Reno, Nevada, Mr. Green was member of the Nevada Committee on Local

Government Finance representing the Nevada League of Cities and a member of the Board of Directors of the Health Access of Washoe County Community Health Center organization, which provides healthcare to low-income residents in the Washoe County area of northern Nevada. Mr. Green has been a guest lecturer on governmental finance on a number of occasions for the University of California, San Bernardino's master's program. Mr. Green is also a member of numerous national and state municipal finance organizations.

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May, 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to practice law as a member of the law firm, advising public clients in a wide range of areas, including land use, general advisory matters, litigation, labor and employment, code enforcement and nuisance abatement matters. She also served as the City Attorney for the City of Monrovia from 1992 through September, 1999 when she became the in-house City Attorney for the City of Pasadena. She currently serves in that position and is also the City Prosecutor. As the City Attorney/City Prosecutor, she is responsible for managing all legal matters for the City, including supervision of in-house lawyers and any outside counsel engaged to advise the City. Ms. Bagneris received her bachelor's degree in International Relations from Stanford University in 1980 and her Juris Doctorate Degree in 1983 from Boalt Hall School of Law, University of California, Berkeley. She is active in professional and community organizations including President of the Los Angeles County Prosecutor's Association; past President of the League of California Cities City Attorney's Department; past President of the City Attorney's Association of Los Angeles County; and member of other legal and community organizations. She is admitted to practice law in the State of California, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

Population

The following table presents a ten-year history of the population of the City since 2004.

**CITY OF PASADENA
POPULATION
For Years 2004 through 2013**

Year (as of January 1)	Population
2004	143,616
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	136,769
2011	138,768
2012	139,222
2013	140,020

Source: State of California, Department of Finance revised, based upon revision to the US Census information with 2010 benchmark. Updates to estimates for years 2002 through 2009 incorporating the 2010 census counts are not available. [UPDATE FOOTNOTE]

Education

Total enrollment within the Pasadena Unified School District is shown below for the last ten fiscal years.

PASADENA UNIFIED SCHOOL DISTRICT TOTAL ENROLLMENT⁽¹⁾ Fiscal Years 2004 through 2013

Fiscal Year Ended June 30	Total Enrollment
2004	22,669
2005	22,336
2006	21,321
2007	20,826
2008	20,905
2009	20,256
2010	18,742
2011	17,989
2012	18,569 ⁽²⁾
2013	17,996

Source: Pasadena Unified School District.

⁽¹⁾ Includes students from the town of Sierra Madre and Altadena, an unincorporated area of the County of Los Angeles.

⁽²⁾ Projected.

Employment

No annual information is regularly compiled on employment and unemployment in the City alone. The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2008 through 2012 and as of July, 2013.

LOS ANGELES COUNTY EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE AVERAGES FOR CALENDAR YEARS 2008 THROUGH 2012 AND AS OF JULY 31, 2013 (in thousands)

	2008	2009	2010	2011	2012	2013
County Employment	4,515	4,276	4,335	4,355	4,397	4,451
County Unemployment	374	579	612	569	500	540
County Civilian Labor Force	4,989	4,855	4,947	4,924	4,897	4,992
County Unemployment Rate	9.5%	11.9%	12.4%	11.6%	10.2%	10.8%
State Unemployment Rate	9.1%	12.0%	12.1%	11.0%	9.8%	10.6%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment. Los Angeles-Long Beach Metropolitan Statistical Area.

Major Employers (Still need to update)

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2012 are listed below.

CITY OF PASADENA MAJOR EMPLOYERS 2012

<u>Company</u>	<u>Approximate Number of Employees</u>	<u>Business Line</u>
California Institute of Technology-Jet Propulsion Laboratory	5,029	Aerospace Research
Kaiser Permanente	4,760	Health Care
California Institute of Technology-Campus	3,900	Education
Huntington Memorial Hospital	3,200	Hospital
Pasadena Unified School District	3,000	Education
SBC/ATT	2,525	Communications
The City of Pasadena	2,179	Government
Pasadena City College	1,500	Education
Bank of America	1,300	Financial
Pacific Clinics Administration	1,100	Medical Clinics
Art Center College of Design	883	Education
One West Bank	800	Financial
Parsons Corporation	650	Engineering/Construction
Hathaway-Sycamores	615	Social Services
The Langham Huntington Hotel (Ritz-Carlton)	584	Hotel
Western Asset	577	Financial
Rusnak Pasadena	450	Auto Dealer
East West Bank	342	Financial

Source: Municipal Information Services, Pasadena Public Library and Pasadena Chamber of Commerce.

Housing

The following table presents a ten-year history of total available housing units within the City, from 2004 through 2013.

**CITY OF PASADENA
HOUSING UNITS⁽¹⁾
For Fiscal Years 2004 through 2013**

Fiscal Year Ended June 30	Housing Units
2004	55,791
2005	56,255
2006	56,520
2007	56,753
2008	57,274
2009	58,135
2010	58,590
2011	60,178
2012	60,263
2013	60,380

Source: City of Pasadena, Department of Planning and Permitting.

⁽¹⁾ As of year end. Includes single family dwellings and multifamily units, including rental units and condominiums.

Building Permit Activity

The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992 (the year the General Plan was approved), there have been seven specific plan areas established and approved by the City Council for the following areas: North Lake, West Gateway, the South Fair Oaks, the East Pasadena, East Colorado, Fair Oaks/Orange Grove and the Central District. The Land Use and Mobility Elements of the General Plan were updated in 2004 at the same time the City's Zoning Code was updated.

The following table shows the value of building permits issued in the City for the fiscal years 2009 through 2013.

**CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
Fiscal Years 2009 through 2013
(Valuation in Millions)
Fiscal Year Ended June 30,**

	2009	2010	2011	2012	2013
Building Permit Valuations					
Nonresidential	\$ 73.9	\$ 50.8	\$56.3	\$ 92.5	\$ 62.8
Residential	23.6	23.4	24.4	24.3	34.5
Residential New Construction	52.2	11.5	9.8	61.2	23.3
Total	<u>\$149.7</u>	<u>\$ 85.7</u>	<u>\$90.5</u>	<u>178.1</u>	<u>120.6</u>
Number of Permits Issued					
Non Residential	601	592	619	717	663
Residential	1,865	1,780	2,077	3,022	2,106
Residential New Construction	28	32	39	25	20
Total	<u>2,494</u>	<u>2,404</u>	<u>2,735</u>	<u>3,764</u>	<u>2,789</u>

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business from 2008 through 2012.

CITY OF PASADENA TAXABLE TRANSACTIONS BY TYPE OF BUSINESS (\$ in Millions)

<u>Type of Business</u>	<u>Twelve Month Periods Ended September 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Apparel Stores	\$ 209.0	\$ 179.0	\$ 199.1	\$ 195.0	203.8
General Merchandise Stores	216.28	218.3	210.6	213.7	216.3
Food Stores	127.5	118.2	116.1	116.3	137.2
Eating & Drinking Places	419.8	389.0	381.2	397.1	427.3
Home Furnishings & Appliances	210.6	167.0	177.7	176.8	189.8
Bldg. Material & Farm Implements	97.9	82.3	79.2	80.7	93.0
Auto Dealers & Auto Supplies	407.7	299.4	320.2	327.9	353.5
Service Stations	168.7	113.9	135.1	167.2	167.8
Other Retail Stores	<u>411.3</u>	<u>360.9</u>	<u>350.1</u>	<u>358.3</u>	<u>361.2</u>
Retail Stores Total	2,268.7	1,928.0	1,969.3	2,033.0	2,150.0
All Other Outlets	<u>852.3</u>	<u>795.3</u>	<u>682.8</u>	<u>660.9</u>	<u>658.8</u>
Total All Outlets	<u>\$3,121.0</u>	<u>\$2,723.3</u>	<u>\$2,652.1</u>	<u>\$2,693.9</u>	<u>2,808.8</u>

Source: State Board of Equalization, City of Pasadena: MBIA MuniServices Company.

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 33 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

Transportation

The City is served by an extensive surface and air transportation network. Several major freeways make the City accessible to the entire Los Angeles Basin. The City is served by three commercial airports: Bob Hope Airport, located in nearby Burbank, is within 15 miles, Los Angeles International Airport is within 35 miles and Ontario International Airport is within 45 miles. Continental Trailways and Greyhound bus lines have local depots in the City. The City supplements the local Metropolitan Transit Authority and the Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus services to expand the covered area. The ARTS buses provide convenient and nominal-fare transportation between many of the City's residential neighborhoods, retail, business and entertainment centers within the City. There are currently two ARTS routes that offer service seven days per week. In addition, the City provides Dial-A-Ride bus services for the elderly and disabled which is available for a nominal usage fee.

The nearest port facilities are Los Angeles and Long Beach harbors which are approximately 30 and 35 miles away, respectively. The \$1 billion Alameda Corridor East project, being undertaken by the Alameda Corridor East Construction Authority, consists of safety upgrades, traffic signal control measures, road widening and grade separation projects to improve traffic conditions along the railroad facilities connecting the Ports of Los Angeles and Long Beach with the transcontinental rail network through the San Gabriel Valley, creating a faster more efficient method of distributing trade.

In addition the Gold Line of the Metro Line light rail system runs from Union Station in the City of Los Angeles, through the City and terminates in the City of Sierra Madre. The Gold Line began operations in 2003.

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of June 30, 2013, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

**CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION**

Name of Union	Number of Employees Represented As of June 30, 2013	Expiration of Contract
American Federation of State, County and Municipal Employees	273	July 3, 2012 ⁽¹⁾
International Brotherhood of Electrical Workers	105	June 30, 2013
International Union of Operating Engineers	26	March 27, 2012 ⁽¹⁾
Service Employee International Union	25	April 26, 2013 ⁽¹⁾
Pasadena Association of Clerical and Technical Employees/Laborers		
International Union of North America	319	September 30, 2015
Pasadena Fire Fighters Association	141	August 25, 2012 ⁽¹⁾
Pasadena Police Officers Association	182	April 24, 2013 ⁽¹⁾
Pasadena Police Sergeant Association	34	April 24, 2012 ⁽¹⁾
Pasadena Fire Fighters Management Association	5	June 30, 2012 ⁽¹⁾
Pasadena Management Association	435	March 17, 2014

⁽¹⁾ Currently being renegotiated.
Source: City of Pasadena, Human Resources Department.

In recent contract negotiations employees represented by Pasadena Management Association, Pasadena Association of Clerical and Technical Employees/Laborers and American Federation of State, County and Municipal Employees have agreed to pay the full 8% contribution to CalPERS (defined below), and employees represented by all other non-identified unions have agreed to pay 3.6% of the 8% required contribution. These concessions represent approximately \$7 million in overall annual savings to the General Fund; 40% of these savings (approximately \$2.8 million) accrues to the benefit of the General Fund. The City is currently negotiating with the safety employee unions to bear a portion the 9% contribution to CalPERS, which is currently entirely borne by the City. In addition most bargaining units have agreed to a zero cost-of-living increase on their contracts.

Retirement Systems

Pasadena Fire and Police Retirement System. Police and Fire personnel hired prior to July 1, 1977 were covered by the City's Fire & Police Retirement System ("FPRS"). FPRS was originally established by the City Charter in 1919. The system was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System ("CalPERS") either when the system closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2013, FPRS has an unfunded actuarial accrued liability of \$39.97 million and had a funded ratio of 78.2%. For fiscal year 2012, the City's annual pension cost was \$8,700,000 for FPRS. The City's required and actual fiscal year contributions were \$16,941,000 and \$46,600,000, respectively. The actuarial value of FPRS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). Under a supplemental contribution agreement between the City and FPRS, there is a specific funding plan whereby the City will provide supplemental payments to FPRS to ensure that all benefits will be paid. Copies of FPRS' annual financial report may be obtained from the Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information.

In March 2011, the City Council approved a restructuring and refunding of outstanding pension obligation bonds relating to FPRS in order to address a mandatory tender of such bonds in 2015 and the issuance of new bonds up to a maximum amount of \$65 million. On October 24, 2011, the City Council approved an Amended and Restated Contribution Agreement with the FPRS that sets the initial actuarial assumptions of 6% investment earnings rate and 3% inflation rate and authorized the issuance of not-to-exceed \$50 million pension obligation bonds to fund the system at 85% funding ratio. On March 29, 2012, the City issued \$47.440 million of taxable pension obligation bonds pursuant to such authorization.

California Public Employees' Retirement System. Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of CalPERS with respect to pension benefits. CalPERS is an agent multiple-employer plan public employee retirement system which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS issues a separate publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, CA 95811 or at www.calpers.ca.gov.

CalPERS is a contributory plan deriving funds from employer and employee contributions as well as earning from investments. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, but is wholly or partially reimbursed by employees. Different employee bargaining groups have different reimbursement rates ranging from the full 8% to 3.6%. The City is also required to contribute at an actuarially determined rate. Benefit provisions and all other requirements are established by state statute or collective bargaining agreements with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost ("APC") equal to the annual required contribution ("ARC") plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation. In order to calculate the dollar value of the ARC for inclusion in the financial statements, the applicable contribution rate is multiplied by the payroll of the covered employees that were paid

during the relevant period.

The City contributed 100% of its annual pension cost for the Miscellaneous Plan for the Fiscal Years ended June 30, 2010, June 30, 2011 and June 30, 2012 in the amount of \$10,459,000, \$10,346,000 and \$11,370,000, respectively. The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 27.226% of payroll for the safety plan and 17.377% of payroll for the Miscellaneous Plan. No assurances can be given that the contribution rates and the annual required contributions will not increase in future years.

Among the assumptions used to determine the ARC include entry age actuarial cost method, an amortization method including a level percent of payroll over an average remaining period of 18 years for the Miscellaneous Plan, a 15-year smoothing methodology for asset valuation and an assumed investment return (net of administrative expenses) of 7.75% and an inflation rate of 3%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30-year amortization period.

On March 14, 2012, CalPERS gave approval to a one-quarter point reduction in its annual investment return forecast (from 7.75% to 7.5%). CalPERS has indicated that it would phase-in the impact of the adjustment over two years, to lessen the strain on local governments. This will increase the City's reported unfunded pension liability. There can be no assurances that CalPERS will not make additional changes in actuarial assumptions in the future.

In the report received in October 2012 (being the most recent report available from CalPERS), as of June 30, 2011, the actuarial staff of CalPERS reported unfunded liability of \$153.0 million for the City's miscellaneous employees as compared to an underfunding of \$138 million the previous year and an unfunded liability of \$72.0 million for safety employees compared to \$66.6 million the previous year. Based upon this report for June 30, 2011 from CalPERS staff, the City reported that its CalPERS obligation had a funded ratio of was 81.3% based upon the actuarial value of plan assets (72.3% based upon the market value of plan assets) with respect to the City's miscellaneous employees and a funded ratio of 82.2% based upon the actuarial value of plan assets (73.6% based upon the market value of plan assets) for safety employees.

The City provides pension benefits for employees not covered by CalPERS or FPRS through the Public Agency Retirement System (PARS), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The plan agreement requires the City to contribute an amount equal to 4.0% of the employees' earning and the covered employee contributes 3.5%. The City's payroll for employees covered by PARS for the fiscal year ended June 30, 2012 was \$3,255,791. Both the City and the covered employees made the total required 7.5% contributions of \$130,232 from the City and \$113,953 from the covered employees.

Funding Status of Plans. The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 24 to the City's comprehensive annual financial report, which may be obtained from the City or at www.ci.pasadena.ca.us.

**City of Pasadena
Retirement Plan Trend Information
(\$ in thousands)**

CalPERS - Miscellaneous Employees

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2006	\$534,487	\$496,180	\$38,307	92.8%	98.5%	\$93,252	41.1%
2007	585,908	539,717	46,191	92.1	106.8	102,135	45.2
2008	638,095	579,068	59,027	90.7	92.6	111,186	53.1
2009	732,713	607,710	125,003	82.9	60.6	116,952	106.9
2010	773,303	635,455	137,847	82.2	64.4	115,289	119.6
2011	819,327	666,290	153,037	81.3	72.3	110,571	138.4

Source: CalPERS actuarial valuations through June 30, 2011 data is taken from annual valuation report dated October, 2012.

CalPERS - Safety Employees

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2006	\$247,233	\$211,753	\$35,480	85.6%	90.2%	\$35,030	101.3%
2007	285,822	238,041	47,781	83.3	95.4	40,138	119.0
2008	317,140	262,817	54,323	82.9	83.5	42,996	126.3
2009	352,610	283,880	68,730	80.5	58.7	45,516	151.0
2010	373,670	307,056	66,614	82.2	64.7	45,643	145.9
2011	403,626	331,603	72,023	82.2	73.6	44,058	163.5

Source: CalPERS actuarial valuations through June 30, 2011 date is taken from annual valuation report dated October, 2012.

FPRS

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2008	178,748	131,321	47,427	73.5	179	26.506
2009	177,803	119,551	58,252	67.2	-	N/A
2010	166,096	109,740	56,356	66.1	-	N/A
2011	179,284	105,811	73,473	59.0	-	N/A
2012	174,249	136,272	39,977	78.2	-	N/A

Source: FPRS actuarial valuations through June 30, 2012.

Annual Payments to Retirement Plans by City
(\$ in Thousands)

Fiscal Year Ended June 30	CalPERS— Misc Employees	CalPERS— Safety Employees	FPRS⁽²⁾
2006	\$7,402	\$6,936	\$6,533
2007	10,056	8,671	6,744
2008	12,228	9,283	5,019
2009	12,580	9,916	3,630
2010	12,566	10,459	5,766
2011	12,518	10,346	5,175
2012	16,744	11,370	8,700
2013 ⁽¹⁾	19,838	12,400	N/A ⁽³⁾
2014 ⁽¹⁾	20,250	12,642	N/A ⁽³⁾

⁽¹⁾ Projected annual payment to retirement plan based on future contribution rates on CalPERS actuarial report dated October 2012.

⁽²⁾ Annual pension cost does not include supplemental payments required to be made by the City pursuant to Amended Contribution Agreement with FPRS. Supplemental payments were \$956,000 in 2009, \$4,981,000 in 2010 and \$8,036,000 in 2011

⁽³⁾ Projected FPRS contributions not available.

Post-Retirement Medical Benefits (OPEB)

Other than the pension benefits from the applicable retirement system, the City does not provide medical or other post-retirement benefits to its employees.

The City of Pasadena provides a subsidy to retirees of the City who are members of CalPERS or FPRS. Two different levels of subsidy toward the purchase of medical insurance from CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) are offered. Benefit provisions are established and amended through negotiations between the City and the respective unions.

The City's current contribution requirements have been established at the individual retiree levels of \$112.00 or \$33.60 per month depending on bargaining unit membership and policy enacted by CalPERS pursuant to State Law. These minimum requirements are established by CalPERS and adjusted annually. The prior contribution requirements were \$108.00 or \$27.00 per month depending on the bargaining unit or the unrepresented group the employee was a member of. The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For the Fiscal Year ended June 30, 2012, the City's contributions totaled \$465,044 (representing 15.49% of the annual other post-employment benefit ("OPEB") cost (expense)). The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As of June 30, 2012, the City's unfunded actuarial accrued OPEB liability was \$32,236,889.

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. On liability claims losses and expenses paid averaged about \$1,377,944 per year for the past 10 years and, when existing "reserves" are added, averaged around \$1,544,109 in liability exposure per year over the past 10 years. The City anticipates these expenses annually and includes funding for them in its operating budget. The City carries excess liability coverage, with limits of \$20 million, with a self-insured retention of \$3 million dollars. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of the fiscal years ended June 30, 2004 through June 30, 2013 are reflected in the following table:

**CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2004 through 2013
(Unaudited)**

Fiscal Year ⁽¹⁾ Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims ⁽¹⁾
2004	3,190,864	627,493	3,818,357	0
2005	1,046,266	875,675	1,921,941	25,000
2006	314,867	440,187	755,054	0
2007	646,367	140,224	786,591	23,439
2008	553,300	1,354,058	1,907,358	2,507,647
2009	3,111,889	439,483	3,551,372	788,208
2010	720,926	24,507	745,433	1,510,531
2011	169,820	10,171	179,991	3,003,995
2012	55,827	0	55,827	6,111,042
2013	57,518	0	57,518	1,471,232

⁽¹⁾ Reserves reflect fiscal year in which claim occurred. Payments reflect money spent on all claims during a fiscal year.

The City maintains commercial property insurance and boiler and machinery insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with current basic limits of \$1 billion per occurrence per location subject to a \$25,000 "All Risk" deductible, and there are various sub-limits and /or higher deductibles on specified types of properties. The City purchases Property Terrorism/NCBR coverage as well. General Property exclusions include earthquake, corrosion, and sabotage. The City also purchases Pollution and Storage Tank coverage, and Cyber Liability coverage.

CITY FINANCIAL INFORMATION

Budget Preparation and Approval Process

No later than January of each year, the Mayor must present a thematic budget message for the upcoming fiscal year to the City Council and the community. The City Council must establish procedures whereby public suggestions and comments on the Mayor's budget proposals may be received and considered prior to the preparation and submission of budget requests by the City Departments to the City Manager.

On or before the third Monday in May of each year, the City Manager must submit to the City Council the recommended balanced budget for the following fiscal year, as required by the City Charter. Also at this time, a public hearing is opened for residents and businesses to make any comments or suggestions regarding the recommended budget. Copies of the recommended budget are available for inspection by the public in the office of the City Clerk and at the City's libraries at least ten days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the recommended budget and makes any revisions. On or before June 30, the City Council adopts a balanced budget with revisions, if any, by the affirmative vote of at least five members of the City Council.

From the effective date of the budget, funds become appropriated to City Departments for the objects and purposes named. At any subsequent City Council meeting following the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of a minimum of five members of the City Council.

The Director of Finance prepares the City's financial statements and submits them to the City Council within four months after the close of each fiscal year. The City Council employs an independent certified public accounting firm to review the City's financial statements for conformity with generally accepted accounting principles for municipal governments and issues an opinion letter regarding the accuracy and fairness of the financial information presented in the City's Comprehensive Annual Financial Report.

Budgetary Principles and Developments

Budgetary Principles and Policies. In preparing the City's budget for fiscal year ending June 30, 2012, City staff was guided by certain principles and goals set by the City Council. Among them, staff was directed to match revenues with expenditures when developing a balanced operating budget, and minimize reliance on "carry-forward" fund balances from previous years to fund expenditures in future years.

General Fund Cash Reserve Policy. Beginning in fiscal year 2011, the City instituted a policy to maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. The current reserve is approximately \$23.0 million. Under current City policy, only under emergency conditions does the City use the reserve fund. Cash reserves may be in the form of actual cash or investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Fiscal Year 2014 Budget. The budget preparation process for fiscal year ending June 30, 2014 began in November 2012. In February and March 2013, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and

budgetary requests for upcoming fiscal year. Projected expenditures and revenues, managed savings, vacant positions, reorganizations, performance measures, performance targets, results statements, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council for a public hearing was opened from which to obtain comments from the City's residents and other stakeholders.

The City Council adopted the budget for fiscal year ending June 30, 2014 on June 10, 2013. The General Fund portion of the appropriation budget for fiscal year ending June 30, 2013 is \$202.7 million.

Accounting Policies, Reports, and Audits

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual requirements. The minimum number of funds is maintained consistent with legal and contractual requirements.

Capital assets (including infrastructure greater than \$10,000) are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians and sewer and storm drains.

The City's funds and capital assets are classified for reporting purpose as follows:

<p><u>Government Funds</u> General Fund Special Revenue Funds Debt Services Funds Capital Projects Funds</p>	<p><u>Fiduciary Funds</u> Trust and Agency Funds</p>
<p><u>Proprietary Funds</u> Enterprise Funds Internal Service Funds</p>	<p><u>Capital Assets</u> Capital Assets used in the Operation of Governmental Funds</p>

The City follows the modified accrual method of accounting for governmental, expendable trusts and agency funds. Under the modified accrual method of accounting, revenues are susceptible to accrual when they become both measurable and available. Expenditures are recorded when a current liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources. The proprietary, nonexpendable trust and pension trust funds are accounted for using the accrual method of accounting.

The City's Director of Finance maintains the accounting system and records of accounts for all City funds. The City Charter requires an independent audit of the financial statements of all accounts of